

**STATE OF CALIFORNIA HEALTH AND HUMAN SERVICES AGENCY
ARNOLD SCHWARZENEGGER, GOVERNOR**

**CALIFORNIA DEPARTMENT
OF ALCOHOL AND DRUG PROGRAMS**

**HIGHLIGHTS OF THE
BUDGET ACT
FISCAL YEAR 2004-05**

JULY 31, 2004

DEPARTMENT OF ALCOHOL AND DRUG PROGRAMS
BUDGET ACT
FISCAL YEAR 2004-05
-HIGHLIGHTS-

TOTAL BUDGET

The Department of Alcohol and Drug Programs' (ADP) budget for FY 2004-05 is \$596.3 million. Of this amount, \$555.2 million (93.1%) is for local governments and communities to provide treatment, recovery, and prevention services; and \$41.1 million (6.9%) is for State Support [Exhibit A].

POSITION SUMMARY

The budget includes 324 positions. This represents a net decrease of 32.7 positions (9.2% decrease) as compared to the FY 2003-04 authorized position base of 356.7 positions. ADP had a reduction of 44.2 positions, of which 31.2 positions were lost as a result of the FY 2003-04 Section 4.10 position reduction requirement and 13.0 positions were eliminated pursuant to Executive Order D-71-03, which required the abolishment of positions that were vacant on June 30, 2003. These position reductions were spread across most of the program and administrative support areas within ADP.

In addition to the HIPAA position lost through the Section 4.10 reductions, the budget includes the reduction of an additional HIPAA position in FY 2004-05.

The budget also includes the addition of 12.5 positions as follows: 3.0 positions (two of which are limited term) to implement the performance-based requirements associated with the new Performance Partnership Grant for the federal Substance Abuse Prevention and Treatment Block Grant; 6.5 positions in the Audit Services Branch to perform audits related to the Substance Abuse and Crime Prevention Act of 2000; and 3.0 positions to administer, coordinate, and implement the Office of Problem Gambling.

GENERAL FUND

ADP's budget includes \$117.3 million (19.7% of the total budget) in State General Fund (SGF) for ADP programs [Exhibit B]. This represents a 1.7 percent increase in ADP's SGF as compared to the FY 2003-04 total SGF Appropriation of \$115.4 million primarily due to Drug Medi-Cal (DMC) increases. Of the \$117.3 million total SGF budget, \$111.9 million (95.4%) is for Local Assistance and \$5.4 million (4.6%) is for State Support [Exhibit C]. The total SGF budget includes \$6.6 million for Non-Drug Medical Regular Discretionary Programs and \$23.5 million for Non-Drug Medi-Cal Perinatal Programs. The SGF budget also includes funding for the Drug Court Partnership Act, the Comprehensive Drug Court Implementation Act, DMC Regular and Perinatal Programs, and the Health Insurance Portability and Accountability Act, which are discussed below in more detail.

General Fund Local Assistance Discretionary

The Local Assistance budget continues to include \$5.8 million in SGF for Non-Drug Medi-Cal Regular Discretionary Programs and \$23.5 million for Non-Drug Medi-Cal Perinatal Programs [Exhibit C].

Drug Court Partnership (DCP) Program

The budget continues to include \$7.8 million for the DCP Act of 2002. Of this amount, \$7.6 million is for Local Assistance and \$244,000 is for two positions in State Support [Exhibit C]. The focus of DCP activities continues to be exclusively on felons.

Comprehensive Drug Court Implementation (CDCI) Program

The budget continues to include \$9.1 million for the CDCI Act. Of this amount, \$8.9 million is for Local Assistance and the remaining balance of \$175,000 is for two positions in State Support [Exhibit C].

Women and Children's Residential Treatment Services

Of the budgeted funds for ADP's Perinatal Programs, \$6.4 million continues to be earmarked to fund existing residential perinatal treatment programs that started through federal Center for Substance Abuse Treatment grants which have since expired and currently are constituted as Women and Children's Residential Treatment Services.

DRUG MEDI-CAL

Drug Medi-Cal (DMC) Program

The DMC program provides medically necessary substance abuse treatment services for eligible Medi-Cal beneficiaries. Services include outpatient drug free, narcotic treatment program, day care rehabilitative, Naltrexone, and residential services for pregnant and parenting women.

Based upon the DMC May Revise Estimates for FY 2004-05 developed by ADP's Office of Applied Research and Analysis, the Local Assistance budget reflects \$57.4 million in DMC SGF (\$55.2 million Regular and \$2.2 million Perinatal) and \$52.2 million (\$50.0 million Regular and \$2.2 million Perinatal) in DMC federal financial participation (Reimbursement from Department of Health Services) [Exhibit C]. This represents an increase of \$2.6 million in SGF and an increase of \$2.7 million in federal financial participation as compared to the FY 2003-04 Budget Act Appropriation due to caseload, rate, and methodology changes. The DMC budget assumes the continuation of the FY 2002-03 approved DMC rate caps for FY 2004-05.

The Federal Medi-Cal Assistance Percentage (FMAP) is the percentage used to determine the federal share of the Medi-Cal Program. As of July 2004, the FMAP is 50 percent.

The budget for State Support includes \$3.4 million in SGF and \$3.4 million in federal financial participation for DMC program support [Exhibit C].

HEALTH INSURANCE PORTABILITY AND ACCOUNTABILITY ACT (HIPAA)

The budget includes \$1.8 million (\$0.8 million SGF and \$1 million Reimbursements) for HIPAA [Exhibit C]. The budget also includes authority for three positions in support of HIPAA, representing a reduction of two positions as compared to the FY 2003-04 budget. One position was lost as part of FY 2003-04 Section 4.10 position reduction requirement and one additional position was reduced through an approved negative Budget Change Proposal in FY 2004-05.

SUBSTANCE ABUSE TREATMENT TRUST FUND (SATTF) (PROPOSITION 36)

The budget includes \$120.2 million (20.1%) of the total budget from the SATTF in support of Proposition 36 activities [Exhibit B]. Of the total SATTF dollars, \$116.6 million (97.0%) is for Local Assistance and \$3.6 million (3%) is for State Support [Exhibit C]. The budget of \$120.2 million also includes the addition of 6.5 positions to support Proposition 36 audit activities.

FEDERAL FUNDS

The budget includes \$280.1 million in Federal Trust Funds, which represents 47.0 percent of ADP's total budget [Exhibit B].

Substance Abuse Prevention and Treatment (SAPT) Block Grant

The budget includes \$263.8 million for the SAPT Block Grant [Exhibit C]. Of the \$263.8 million, \$2 million will be transferred to the Department of Health Services in compliance with the requirements established for the Sale of Tobacco to Minor Control Account. The remaining \$261.8 million SAPT dollars consist of \$241.7 million for Local Assistance and \$20.1 million for State Support.

SAPT Maintenance of Effort (MOE) Requirement

As a condition of receiving SAPT Block Grant funds, ADP must meet the MOE grant requirement, which requires ADP to maintain non-federal expenditures for substance abuse prevention and treatment services at a specific level. The MOE requirement is derived from a mathematical computation in which the current year's non-federal expenditures cannot be less than the average of those expenditures for the two preceding state fiscal years.

ADP's budget includes \$251.8 million in non-federal expenditures, which is sufficient to meet the MOE requirement of \$248.0 million for FY 2004-05. The MOE requirement for FY 2004-05 is based on the two-year average of prior-year expenditures reflected in the updated FY 2003-04 Year-End Financial Statements for ADP.

Performance Partnership Grant (PPG)

The budget includes the addition of three positions and \$260,000 to implement the new federal PPG requirements. Pursuant to federal law, the SAPT Block Grant will be subject to new PPG requirements. In order to comply with these new requirements, the State will be required to collect outcome data using a continuous quality-improvement framework.

Substance Abuse Treatment and Testing Accountability (SATTA) Program

The budget continues to include \$8.6 million in SAPT Block Grant funds for the SATTA program. The SATTA program provides funding for drug testing for clients treated under the Substance Abuse and Crime Prevention Act of 2000 and can also be used for any other purpose consistent with federal SAPT Block Grant requirements.

Safe and Drug Free Schools and Communities (SDFSC) Grant

With respect to the SDFSC Grant, the budgeted federal expenditure authority includes \$12.4 million, of which \$10.3 million is for Local Assistance and \$2.1 million is for State Support [Exhibit C].

State Incentive Grant (SIG)

The budget continues to include \$4.0 million for the SIG.

Screening, Brief Intervention, Referral, and Treatment (SBIRT) Grant

The budget includes \$3.5 million in federal expenditure authority for the SBIRT Grant. This grant was awarded to ADP on September 30, 2003, by the Substance Abuse and Mental Health Services Administration. The SBIRT Program will provide alcohol and other drug (AOD) screening, brief intervention, referral, and treatment and will extend the State's current continuum of care for AOD clients. The budget includes \$3.4 million in Local Assistance, with the remaining dollars in State Support [Exhibit C].

INDIAN GAMING SPECIAL DISTRIBUTION FUND

The budget includes three positions and \$3.0 million payable from the Indian Gaming Special Distribution Fund to implement the Office of Problem Gambling.

DEPENDENCY DRUG COURT PROGRAM

The budget includes the addition of \$1.8 million from the Department of Social Services' (DSS) federal Promoting Safe and Stable Families Fund. The supplemental allocation of funding for the Comprehensive Drug Court Implementation Program is for planning or expansion of new or existing dependency drug court programs in selected counties. ADP, in collaboration with the Judicial Council and with input from the DSS, will:

- Select counties for this supplemental allocation of funds based on a determination of which counties are prepared to implement or expand a dependency drug court or to engage in planning for the development of court systems; and
- Adopt data collection and reporting requirements to measure program outcomes and cost effectiveness, including the amount of foster care savings realized.

SUBSTANCE ABUSE SERVICES FOR INDIAN HEALTH CLINICS

The budget includes \$2.1 million reimbursement funding from DSS, of which \$1.9 million is for allocation to Indian Health Clinics for the provision of substance abuse services.

WELFARE REFORM – CALIFORNIA WORK OPPORTUNITY AND RESPONSIBILITY TO KIDS (CALWORKS)

Substance abuse can limit or impair a CalWORKs participant's ability to make the transition from welfare to work, or retain employment over a long period of time. The budget for the Department of Social Services (DSS) includes \$48 million SGF for the provision of treatment and recovery services to CalWORKs recipients for whom substance abuse is a barrier to employment. This is an increase of \$1.6 million resulting from the elimination of the set aside for the Low Income Women's Program. The CalWORKs SGF for substance abuse will continue to be specifically identified in DSS' county allocation.

CLIENTS SERVED

The budget estimates that there will be 395,700 clients served in FY 2004-05. Of the total served, it is estimated that 68,200 will be Drug Medi-Cal (DMC) clients and 70,400 will be Substance Abuse and Crime Prevention Act (SACPA) clients. In FY 2003-04, it is estimated that there will be a total of 378,900 clients served, of which 64,100 will be DMC clients and 63,200 will be SACPA clients.

EXHIBIT A

Department of Alcohol and Drug Programs Budget Act Fiscal Year 2004-05

Budget By Category

(\$ In Millions)

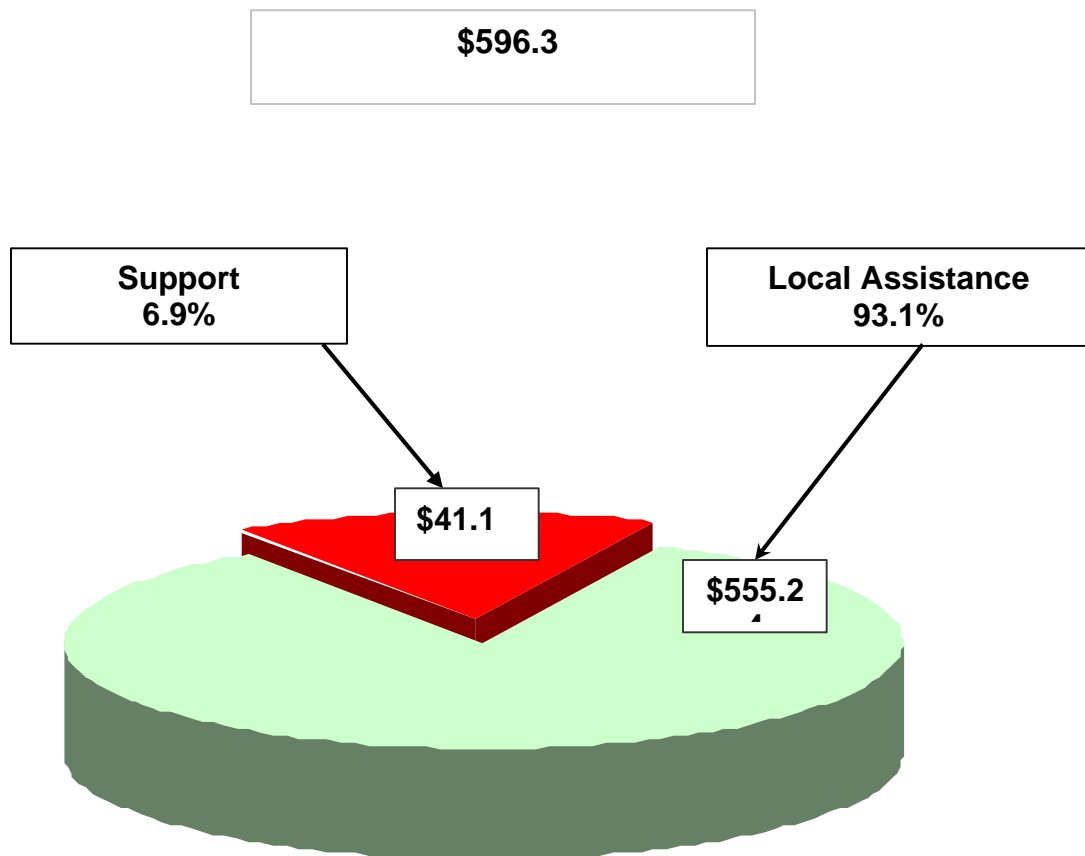
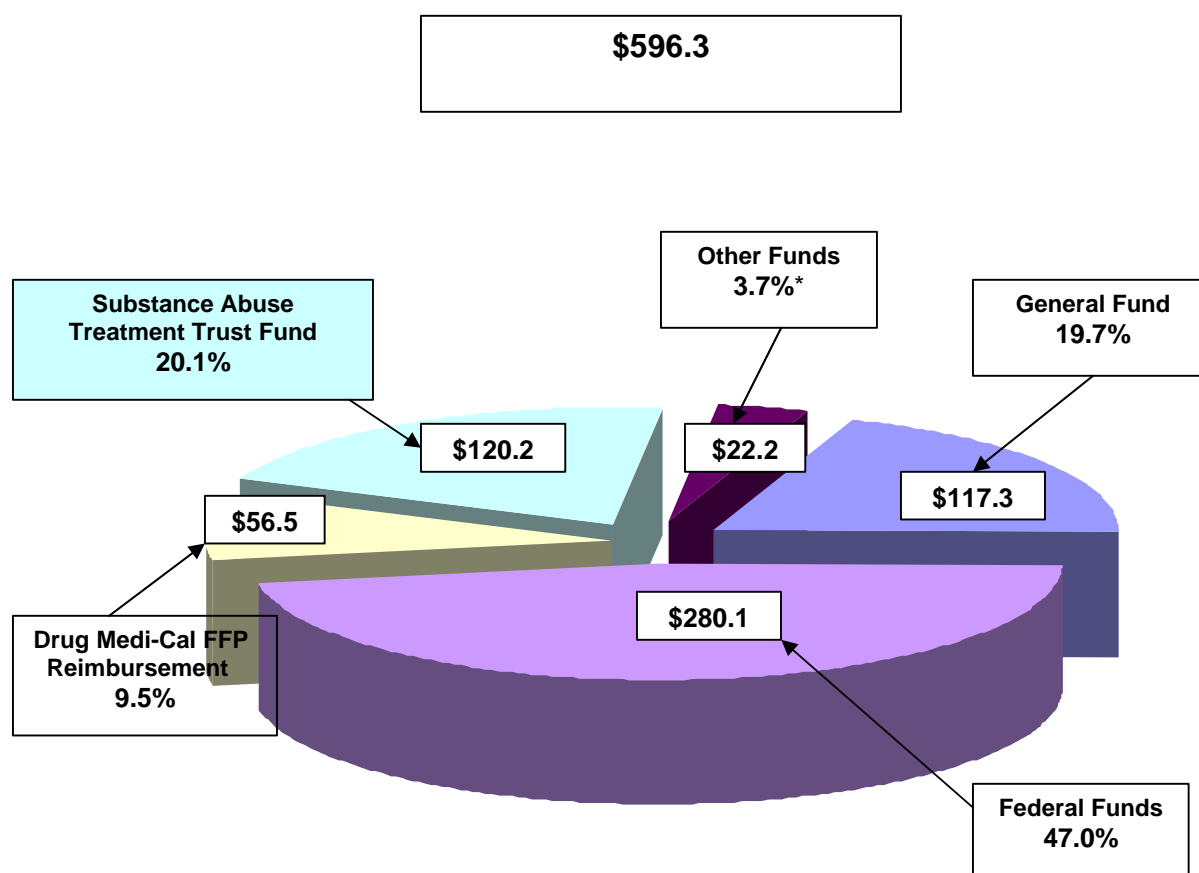


EXHIBIT B**Department of Alcohol and Drug Programs
Budget Act
Fiscal Year 2004-05****Budget By Fund Source**

(\$ In Millions)



* "OTHER FUNDS" INCLUDES: DRIVING-UNDER-THE-INFLUENCE LICENSING TRUST FUND, NARCOTIC TREATMENT PROGRAM LICENSING TRUST FUND, INDIAN GAMING SPECIAL DISTRIBUTION FUND, AUDIT REPAYMENT TRUST FUND, RESIDENT-RUN HOUSING REVOLVING FUND, THE DEPARTMENT OF CORRECTIONS REIMBURSEMENT CONTRACT, THE DEPARTMENT OF SOCIAL SERVICES REIMBURSEMENT CONTRACTS, AND OTHER MISCELLANEOUS REIMBURSEMENT AUTHORITY.

EXHIBIT C**Department of Alcohol and Drug Programs
Budget Act****Fiscal Year 2004-05**

(\$ IN THOUSANDS)

FUNDING SOURCE	CATEGORY		TOTAL BUDGET	TOTAL PERCENTAGE
	SUPPORT	LOCAL ASSISTANCE		
General Fund	\$5,395	\$111,948	\$117,343	19.68%
Non-Drug Medi-Cal Regular	\$792	\$5,768	\$6,560	1.10%
Non-Drug Medi-Cal Perinatal	\$0	\$23,457	\$23,457	3.93%
Drug Medi-Cal Regular	\$3,162	\$55,165	\$58,327	9.78%
Drug Medi-Cal Perinatal	\$205	\$2,183	\$2,388	0.40%
Drug Medi-Cal HIPAA	\$817	\$0	\$817	0.14%
Drug Court Partnership Act	\$244	\$7,600	\$7,844	1.32%
Comprehensive Drug Court Implementation Act	\$175	\$8,875	\$9,050	1.52%
Parolee Services	\$0	\$8,900	\$8,900	1.49%
Substance Abuse Treatment Trust Fund (Prop 36)	\$3,637	\$116,595	\$120,232	20.16%
Driving-Under-the-Influence Program Licensing Trust Fund	\$1,634	\$0	\$1,634	0.27%
Narcotic Treatment Program Licensing Trust Fund	\$1,135	\$0	\$1,135	0.19%
Indian Gaming Special Distribution Fund	\$3,000	\$0	\$3,000	0.50%
Audit Repayment Trust Fund	\$67	\$0	\$67	0.01%
Federal Trust Fund	\$21,076	\$259,011	\$280,087	46.97%
Substance Abuse Block Grant	\$20,050	\$241,739	\$261,789	43.90%
Sale of Tobacco to Minors Control Account	-\$2,000	\$0	-\$2,000	-0.34%
Safe and Drug Free School	\$2,047	\$10,329	\$12,376	2.08%
Uniform Data Systems	\$321	\$0	\$321	0.05%
State Data Infrastructure Grant	\$100	\$0	\$100	0.02%
State Incentive Grant	\$515	\$3,500	\$4,015	0.67%
SBIRT Grant	\$43	\$3,443	\$3,486	0.59%
Resident-Run Housing Revolving Fund	\$0	\$39	\$39	0.01%
Reimbursements	\$5,199	\$67,594	\$72,793	12.21%
Drug Medi-Cal Regular	\$3,162	\$50,016	\$53,178	8.92%
Drug Medi-Cal Perinatal	\$205	\$2,183	\$2,388	0.40%
Drug Medi-Cal HIPAA	\$947	\$0	\$947	0.16%
CDC: Parolee Services Network	\$442	\$10,971	\$11,413	1.92%
CDSS: Indian Health Clinics	\$235	\$1,865	\$2,100	0.35%
CDSS: Dependency Drug Court	\$0	\$1,800	\$1,800	0.30%
Other	\$208	\$759	\$967	0.16%
TOTALS	\$41,143	\$555,187	\$596,330	100.00%